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**Finance Committee**

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**SB 5468**

**Brief Description:** Regarding the administration of tax programs administered by the department of revenue.

**Sponsors:** Senators Oemig, Zarelli, Regala and Schoesler; by request of Department of Revenue.

**Brief Summary of Bill**

- Authorizes the Department of Revenue (DOR) to notify taxpayers electronically instead of by regular mail if the taxpayer gives the department the authority to do so.
- Requires the DOR to waive the penalty on centrally-assessed utilities for failure to meet reporting requirements if certain conditions are met by the utility.
- Allows nonprofit organizations seeking property tax exemptions to submit required applications, renewals, and reports by electronic means.
- Eliminates application and renewal fees for nonprofit organizations seeking property tax exemptions.

**Hearing Date:** 3/21/07

**Staff:** Mark Matteson (786-7145).

**Background:**

*Taxpayer notification.* The DOR is required to send notice by regular mail to taxpayers and other persons in a number of instances. Such instances include:

- notice of assessment of taxes, penalties, or interest;
- notice of seizure of unstamped cigarettes;
- notice of penalties imposed on promoters of special events; and
- notice related to taxpayer appeals.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The DOR allows taxpayers to register with the state electronically and to remit taxes and other information electronically. For the purposes of communication, the DOR has established a secure messaging system that allows for secure transmission of information between the DOR and the taxpayer. Information that is exchanged is encrypted and stored on the DOR's own servers for the purpose of ensuring confidentiality.

*Centrally-assessed utility reporting requirements.* In general, the properties of inter-county and inter-state utility companies are valued by the DOR rather than by the county assessor. This process is called central assessment. Centrally-assessed utilities must file with the DOR annual reports that contain the company profile and a statement of all of the company's property. Reports must be submitted by March 15 each year for non-rail utilities and by May 1 for rail companies. In addition to the property reports, non-rail utilities must provide the DOR with copies of annual reports to company shareholders and reports filed with federal and state regulatory agencies. For the purposes of calculating property tax due, the DOR must increase the value of the company by 5 percent for each month or partial month that the utility does not meet the reporting requirements, up to a maximum of 10 percent. No exception is provided in statute if the reporting requirements are not met.

*Reporting requirements for nonprofit organizations seeking property tax exemptions.* In general, nonprofit organizations that have been authorized to receive an exemption from property tax on property that they own or use must submit an application and then renewal declarations of exempt status on an annual basis with the DOR. In addition, such organizations must provide a report as to the use of the organization's funds. The DOR uses the application, renewals, and reports to help establish the taxable status of the property used or owned by the nonprofit. By statute, a filing fee of \$35 is required with each application. The renewal requires a fee of \$8.75.

Before ruling on an application by a nonprofit for a property tax exemption, the DOR is required to make a physical inspection of the property for which the exemption is sought. The DOR is required to regularly inspect the property thereafter to ensure compliance with the exemption requirements.

### **Summary of Bill:**

*Taxpayer notification.* In instances in which the DOR is required to notify or has otherwise customarily notified taxpayers by mail of assessments or other information, the DOR is authorized to send notification electronically. This authorization is provided only when the taxpayer first authorizes the DOR to do so. Taxpayer authorization may be a blanket authorization for all communication or may be specific to particular items of information. If the communication concerns taxpayer information that is subject to statutory confidentiality requirements, the DOR must transmit the information in a way that protects the confidentiality of the taxpayer information, unless the taxpayer provides a waiver. Information sent electronically by the DOR is deemed, for statutory deadline purposes, to be received on the date that the DOR sends the information or notifies the person that the information is available to be accessed.

*Centrally-assessed utility reporting requirements.* If good cause is shown, the DOR must waive or cancel the penalty that is otherwise imposed if a centrally-assessed utility fails to comply with reporting requirements. If good cause is not demonstrated, the DOR must still waive or cancel the penalty if the utility fully complies with the reporting requirements within 30 days of the due date and if the utility has timely complied with the reporting requirements in the previous two years.

*Reporting requirements for nonprofit organizations seeking property tax exemptions.* An option to submit information electronically to the DOR is provided to nonprofit organizations that are subject to application, renewal, and other reporting requirements with respect to property tax exemptions. Application and renewal fees are eliminated. The requirement for the department to inspect the property of nonprofit organizations which seek or have been granted property tax exemptions is made non-mandatory.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.